Your Park Square Financial Team

Your Finances

A RESOURCE FOR HELPING GROW, PROTECT, AND PRESERVE YOUR ASSETS

JANUARY 2017

Welcome to Your Finances! You are receiving this newsletter either by email or direct mail because you are a Park Square Financial Group client, an attendee at one of our seminars, or were referred to us by one of our clients as one who would appreciate objective, educational information. If we have erred on any one of those accounts, please contact us by email (bcoffeen@parksquarefg.com) or phone (770 641-1401) and we will be glad to remove your name from our list.

Food for Thought

- The only limit to our realization of tomorrow will be our doubts of today. --- Franklin D. Roosevelt

Financial Factoids

- ***HIS PARTY*** **-** Republican Donald Trump will begin his first term as President with a **Republican majority** in the Senate and the House, the first Republican to enjoy that level of **Congressional support** at the beginning of his first term in office **since Dwight Eisenhower** in 1953 (source: Congress).

- ***DON'T EVEN TRY TO GUESS*** **-** In **January 2007**, the Congressional Budget Office's "10-year Projection" forecasted **budget surpluses** for 5 consecutive years beginning in fiscal year 2012 (i.e., years 2012-16) totaling **$914 billion**. Instead the **actual deficits** over fiscal years 2012-16 were a combined **$3.3 trillion** (source: CBO).

Looking Back to Look Forward

At this time of year we usually look forward to setting goals and addressing opportunities in the New Year. But before doing so we encourage everyone to reflect upon those friends and family who died in 2016. We at Park Square celebrate the lives of seven clients whose journeys came to an end. They are Suzanne Antink, Larry Ellison, David Fitzgerald, Emily Gilstrap, Earl Jackson, Terry Scott and Thomas Tuten. They will be sorely missed. We also realize that life continues on so we encourage you to reflect upon both the joys of 2016 and upcoming life events of this new year such as births, weddings, special anniversaries, medical recoveries or special trips.

We at Park Square Financial look forward to serving your financial needs in 2017 and have highlighted below some new programs we plan to roll out over the course of the year along with some articles of interest in helping you plan. While 2017 may prove to be full of challenges it will also be full of opportunities. We encourage you to embrace the future with optimism.

Life today seems to be busier than ever, whether you are single or married or employed with kids or retired and enjoying grandchildren. We know how difficult it can be to schedule a face-to-face meeting at our offices. We have begun using *Go to Meeting*, a method whereby we can connect with you online to conduct a review meeting remotely by projecting agendas and other support material on your computer screen. We still encourage you to visit us personally periodically but *Go to Meeting* could be a time-saver for many of you. **Please let us**

know what you think. We are also reviewing the possibility of conducting Go to Meetings on such topics of interest as long term care planning.

As a result of our extensive due diligence we now feel comfortable offering our clients socially responsible and faith-based investing platforms. **Please contact us if you have an interest in learning more.**

We're scheduling educational programs for 2017 that will include past popular topics such as Social Security Planning and Medicare Planning but we need your input regarding new topics of interest. **Please let us know what you'd like to see offered.**

Another successful drive for Atlanta Veteran's Administrative Hospital

The month of November 2016 once again marked a successful drive to collect items of benefit to our veterans who use the services of our local Atlanta Veteran's Hospital. Thanks to all the people who contributed this year. Your contributions will make a difference in the lives of our veterans.

Playing Catch-Up with Your 401(k) or IRA

A recent survey of baby boomers (ages 53 to 69) found that just 24% were confident they would have enough money to last throughout retirement. Forty-five percent had no retirement savings at all, and of those who did have savings, 42% had saved less than $100,000.[1]

Your own savings may be on more solid ground, but regardless of your current balance, it's smart to keep it growing. If you're 50 or older, you could benefit by making catch-up contributions to tax-advantaged retirement accounts. You might be surprised by how much your nest egg could grow late in your working career.

Contribution limits

The federal contribution limit in 2016 and 2017 for all IRAs combined is $5,500, plus a $1,000 catch-up contribution for those 50 and older, for a total of $6,500. An extra $1,000 might not seem like much, but it could make a big difference by the time you're ready to retire (see table). You have until the April 18, 2017, tax filing deadline to make IRA contributions for 2016. The sooner you contribute, the more time the funds will have to pursue potential growth.

The deferral limit in 2016 and 2017 for employer-sponsored retirement plans such as 401(k), 403(b), and most 457(b) plans is $18,000, plus a $6,000 catch-up contribution for workers 50 and older, for a total of $24,000. However, some employer-sponsored plans may have maximums that are lower than the federal contribution limit. Unlike the case with IRAs, contributions to employer-sponsored plans must be made by the end of the calendar year, so be sure to adjust your contributions early enough in the year to take full advantage of the catch-up opportunity.

The following table shows the amount that a 50-year-old might accrue by age 65 or 70, based on making maximum annual contributions (at current rates) to an IRA or a 401(k) plan:

Potential Savings a 50-Year-Old Could Accumulate		Without Catch-Up	With Catch-Up
IRA	By Age 65	$128,018	$151,294
	By Age 70	$202,321	$239,106
401(k)	By Age 65	$418,697	$558,623
	By Age 70	$662,141	$882,854

Example assumes a 6% average annual return. This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent any specific investment. It assumes contributions are made at end of the calendar year. Rates of return vary over time, particularly for long-term investments. Fees and *expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.*

Special 403(b) and 457(b) plan rules

403(b) and 457(b) plans can (but aren't required to) provide their own special catch-up opportunities. The 403(b) special rule, available to participants with at least 15 years of service, may permit an additional $3,000 annual deferral for up to five years (certain additional limits apply). A participant can use this special rule and the age 50 catch-up rule in the same year. Therefore, a participant eligible for both could contribute up to $27,000 to his or her 403(b) plan account (the $18,000 regular deferral limit, plus the $3,000 special catch-up, plus the $6,000 age 50 catch-up).

The 457(b) plan special rule allows participants who have not deferred the maximum amount in prior years to contribute up to twice the normal deferral limit (that is, up to $36,000 in 2016 and 2017) in the three years prior to reaching the plan's normal retirement age. (However, these additional catch-up contributions can't exceed the total of the prior years' unused deferrals.) 457(b) participants who elect to use this special catch-up rule cannot also use the age 50 catch-up rule in the same year.

[1]"Boomer Expectations for Retirement 2016," Insured Retirement Institute

What It Means to Be a Financial Caregiver for Your Parents

If you are the adult child of aging parents, you may find yourself in the position of someday having to assist them with handling their finances. Whether that time is in the near future or sometime further down the road, there are some steps you can take now to make the process a bit easier.

Mom and Dad, can we talk?

Your first step should be to get a handle on your parents' finances so you fully understand their current financial situation. The best time to do so is when your parents are relatively healthy and active. Otherwise, you may find yourself making critical decisions on their behalf in the midst of a crisis.

You can start by asking them some basic questions:

- What financial institutions hold their assets (e.g., bank, brokerage, and retirement accounts)?
- Do they work with any financial, legal, or tax advisors? If so, how often do they meet with them?
- Do they need help paying monthly bills or assistance reviewing items like credit-card statements, medical receipts, or property tax bills?

Make sure your parents have the necessary legal documents

In order to help your parents manage their finances in the future, you'll need the legal authority to do so. This requires a durable power of attorney, which is a legal document that allows a named individual (such as an adult child) to manage all aspects of a person's financial life if he or she becomes disabled or incompetent. A durable power of attorney will allow you to handle day-to-day finances for your parents, such as signing checks, paying bills, and making financial decisions for them.

In addition to a durable power of attorney, you'll want to make sure that your parents have an advance health-care directive, also known as a health-care power of attorney or health-care proxy. An advance health-care directive will allow you to make medical decisions according to their wishes (e.g., life-support measures and who will communicate with health-care professionals on their behalf).

You'll also want to find out if your parents have a will. If so, find out where it's located and who is named as personal representative or executor. If the will was drafted a long time ago, your parents may want to review it to make sure their current wishes are represented. You should also ask if they made any dispositions or gifts of specific personal property (e.g., a family heirloom to be given to a specific individual).

Prepare a personal data record

Once you've opened the lines of communication, your next step is to prepare a personal data record that lists information you might need in the event that your parents become incapacitated or die. Here's some information that should be included:

- *Financial information:* Bank, brokerage, and retirement accounts (including account numbers and online user names and passwords, if applicable); real estate holdings
- *Legal information:* Wills, durable powers of attorney, advance health-care directives
- *Medical information:* Health-care providers, medication, medical history
- *Insurance information:* Policy numbers, company names
- *Advisor information:* Names and phone numbers of any professional service providers
- *Location of other important records:* Social Security cards, home and vehicle records, outstanding loan documents, past tax returns
- *Funeral and burial plans:* Prepayment information, final wishes

If your parents keep some or all of these items in a safe-deposit box or home safe, make sure you can gain access. It's also a good idea to make copies of all the documents you've gathered and keep them in a safe place. This is especially important if you live far away, because you'll want the information readily available in the event of an emergency.

Don't be afraid to get support and ask for advice

If you're feeling overwhelmed with the task of handling your parents' finances, don't be afraid to seek out support and advice. A variety of local and national organizations are designed to assist caregivers. If your parents' needs are significant enough, you may want to consider hiring a geriatric care manager who can help you oversee your parents' care and direct you to the right community resources. Finally, consider discussing the specifics of your situation with a professional, such as an estate planning attorney, accountant, and/or financial advisor.

Tax Credits and Deductions for College

College students and their parents need all the help they can get to pay for college. Here are four college-related federal tax benefits that might help put a few more dollars back in your pocket when you file your 2016 tax return.

American Opportunity credit

The American Opportunity Tax Credit is worth up to $2,500 per year for a student's first four years of college. The credit applies only to qualified tuition and fees (room and board expenses aren't eligible) and is calculated as 100% of the first $2,000 of qualified tuition and fees plus 25% of the next $2,000 of such expenses.

There are two main eligibility restrictions. First, the student must be enrolled at least half-time. Second, a parent's modified adjusted gross income (MAGI) must be below a certain level. In 2016, a full tax credit is available to single filers with a MAGI of $80,000 or less and joint filers with a MAGI of $160,000 or less; a partial credit is available to single filers with a MAGI between $80,000 and $90,000 and joint filers with a MAGI between $160,000 and $180,000.

The American Opportunity credit can be claimed on behalf of multiple students on a single tax return in the same year, provided each student qualifies independently. For example, if Mom and Dad have triplets in college and each meets the credit's requirements, then Mom and Dad can claim a total credit of $7,500 ($2,500 x 3).

Lifetime Learning credit

The Lifetime Learning credit is another education tax credit that's worth up to $2,000 per year per tax return. As its name implies, the Lifetime Learning credit is for courses taken throughout one's lifetime, whether to acquire or improve job skills. As such, it is broader than the American Opportunity credit; for example, it's available to graduate students and to students enrolled less than half-time. The Lifetime Learning credit is calculated as 20% of the first $10,000 of qualified tuition and fees (again, room and board expenses aren't eligible).

There are also income restrictions. In 2016, a full credit is available to single filers with a MAGI of $55,000 or less and joint filers with a MAGI of $111,000 or less; a partial credit is available to single filers with a MAGI between $55,000 and $65,000 and joint filers with a MAGI between $111,000 and $131,000.

One disadvantage of the Lifetime Learning credit is that it's limited to a total of $2,000 per tax return per year, regardless of the number of students who qualify in a family in a given year. So, in the example above, Mom and Dad would be able to take a total Lifetime Learning credit of $2,000, not $6,000, in 2016. Also, the American Opportunity credit and the Lifetime Learning credit can't be taken in the same year for the same student — you have to pick one or the other.

Tuition and fees deduction

Undergraduate and graduate students (or their parents) may be able to deduct qualified tuition and fees paid in 2016. A $4,000 deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI of $130,000 or less, and a $2,000 deduction is available to single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000. An important note: you can't use the same education expenses to qualify for both a tuition deduction and an education tax credit.

Student loan interest deduction

The student loan interest deduction lets undergraduate and graduate borrowers deduct up to $2,500 of interest paid on qualified student loans during the year, provided income limits are met. In 2016, a full deduction is available to single filers with a MAGI of $65,000 or less and joint filers with a MAGI up to $130,000; a partial deduction is available for single filers with a MAGI between $65,000 and $80,000 and joint filers with a MAGI between $130,000 and $160,000.

Comparison chart: 2016 figures

	Max. Credit / Deduction	Income Limits for Max.
American Opportunity credit	**$2,500**	**$80,000 or less single; $160,000 or less joint filer**
Lifetime Learning credit	**$2,000**	**$55,000 or less single; $111,000 or less joint filer**
Deduction for tuition and fees	**$4,000**	**$65,000 or less single; $130,000 or less joint filer**
Deduction for student loan interest	**$2,500**	**$65,000 or less single; $130,000 or less joint filer**

For more information, see IRS Publication 970, *Tax Benefits for Education.*

What do you need to know about chip-card technology?

When you're checking out items at the store, should you insert your card into the payment terminal? These days, as the use of chip-card technology grows, the answer to that question is less clear. The computer chip now embedded in debit and credit cards uses EMV (Europay, MasterCard, and Visa) technology, which is meant to reduce fraud at physical retail stores (as opposed to online shops). But because businesses aren't required to upgrade their terminals, it's confusing to figure out what to do at the register. Here are answers to some questions you might have about chip cards.

How does it work? Magnetic strip cards contain information within the strip, so it's easy for a thief to "capture" that information and use it to accrue charges without the cardholder's knowledge. By contrast, the chip card generates a unique, specific code for each transaction that cannot be reused.

Why does it take longer to check out? The unique code generated by the chip for each transaction is sent to the bank by the payment terminal. The bank matches the code to an identical one-time code and sends it back as verification for the transaction. As a result, it takes a few seconds longer to check out using a chip card because it takes time for the information to be transmitted.

Why aren't some terminals working yet? You might notice that terminals in some stores are equipped with a chip-card reader, but you're told you can't use it. These terminals are awaiting chip-card certification, which can take several months to process. Until their terminals are certified, retailers are responsible for any fraudulent charges.

How much longer will I have to carry a physical card? The answer to this question isn't clear. However, it's important to note that terminals with upgraded chip-card technology are also equipped with technology that can accept wireless near-field communication. This allows data to be exchanged between two different devices (e.g., a cell phone and a terminal) that are a short distance away. This means that one day, instead of swiping or inserting a card at the checkout, you might just be tapping the terminal to make payments.

As your financial advisors we're always at your service when it comes to reviewing your plans and goals as well as explaining or implementing ideas and concepts highlighted in this newsletter or on our website, www.parksquarefg.com

Remember... If what you thought to be true, turned out not to be true, when would you want to know? Financially speaking...maybe we can be of help. Thanks for the opportunity to serve your needs! Save well and take care!

Your "Park Square Financial" Team

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TRADITION OF TRUST